

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY
MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

EXECUTIVE SUMMARY

Management successfully implemented our recommendations included in our examination of the 1999 and 1998 contracts.

We had no significant findings to report for the fiscal years ended June 30, 2001 and 2000 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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January 8, 2003

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall -2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Newport County Community Mental Health Center, Inc., for the fiscal years ended June 30, 2001 and 2000.

The results of our engagement included herein, have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations, no written response is necessary as required by Section 35-7-4 of the General Laws.

We wish to express our appreciation to the officials of the Department of MHRH and to the Director and staff members of Newport County Community Mental Health Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 2003 and 2002;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health centers to provide mentally disabled adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Newport County Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center owns and occupies a facility located at 127 Johnnycake Hill Road, Middletown, Rhode Island, which houses administrative and most program offices.

The Center is governed by a board of directors consisting of not more than 21 nor less than 15 individuals elected annually.



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Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Newport County Community Mental Health Center, Inc., (Center) solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Healthcare Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 2001 and 2000, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

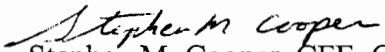
For purposes of this engagement we tested compliance with the above-mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that there were instances of noncompliance with the conditions contained within MHRH's Matching Grant and Community Support and Related Services Contracts for the fiscal years ended June 30, 2001 and 2000.

A. Kathryn Power, Director
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We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
June 20, 2002

SMC:pp

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2001

	<u>Community Support Residential, and Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Total</u>
<u>Revenues</u>				
MHRH	\$ 317,105	112,940	-	430,045
DCYF	-	-	433,830	433,830
Other Grants & Contracts	352,350	-	269,036	621,386
Title XIX Medicaid	2,985,002	24,409	1,311,287	4,320,698
Municipalities	-	59,540	120,996	180,536
Contributions	4,578	298	1,691	6,567
Client Services	18,831	38,029	-	56,860
Group Home	76,637	-	-	76,637
Miscellaneous	51,190	1,482	22,268	74,940
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ <u>3,805,693</u>	<u>236,698</u>	<u>2,159,108</u>	<u>6,201,499</u>
<u>Expenses</u>				
Personnel	3,139,958	313,808	1,389,781	4,843,547
Operating	836,180	60,241	462,194	1,358,615
Purchased Equipment	62,983	5,555	33,924	102,462
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ <u>4,039,121</u>	<u>379,604</u>	<u>1,885,899</u>	<u>6,304,624</u>
Excess (Deficiency) of Revenues Over Expenses	\$ <u>(233,428)</u>	<u>(142,906)</u>	<u>273,209</u>	<u>(103,125)</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
 STATEMENT OF REVENUES AND EXPENSES
 FISCAL YEAR ENDED JUNE 30, 2000

	<u>Community Support Residential, and Acute Alternatives</u>	<u>Adult General Outpatient</u>	<u>Other Programs</u>	<u>Total</u>
<u>Revenues</u>				
MHRH	\$ 327,426	85,700	-	413,126
DCYF	-	-	383,007	383,007
Other Grants & Contracts	301,583	-	124,202	425,785
Title XIX Medicaid	3,049,039	30,733	1,003,596	4,083,368
Municipalities	-	180,540	-	180,540
Contributions	-	-	14,297	14,297
Client Services	25,834	54,770	-	80,604
Group Home	93,578	-	-	93,578
Miscellaneous	24,263	208	13,709	38,180
	<u>3,821,723</u>	<u>351,951</u>	<u>1,538,811</u>	<u>5,712,485</u>
Total Revenues	\$ 3,821,723	351,951	1,538,811	5,712,485
<u>Expenses</u>				
Personnel	2,936,817	400,480	953,237	4,290,534
Operating	782,796	78,785	402,040	1,263,621
Purchased Equipment	88,022	6,880	66,686	161,588
	<u>3,807,635</u>	<u>486,145</u>	<u>1,421,963</u>	<u>5,715,743</u>
Total Expenses	\$ 3,807,635	486,145	1,421,963	5,715,743
Excess (Deficiency) of Revenues Over Expenses	\$ <u>14,088</u>	<u>(134,194)</u>	<u>116,848</u>	<u>(3,258)</u>

See accompanying notes to financial information.

:SP-12b

EXHIBIT C

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

		<u>Fiscal Year Ended June 30</u>	
		<u>2001</u>	<u>2000</u>
<u>Beginning Balance</u>	\$	-	-
Revenues Received Designated for Programs		<u>4,320,698</u>	<u>4,083,368</u>
<u>Revenues Applied:</u>			
Community Support and Related Services		2,985,002	3,049,039
Adult General Outpatient Program		24,409	30,733
Other Programs		<u>1,311,287</u>	<u>1,003,596</u>
Total Applied		<u>4,320,698</u>	<u>4,083,368</u>
<u>Ending Balance</u>	\$	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-12c

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	Fiscal Year Ended June 30	
	<u>2001</u>	<u>2000</u>
<u>State Funds Allocated</u>		
Adult General Outpatient Services	95,216	62,254
Community Support, Residential and Acute Alternatives	<u>95,216</u>	<u>62,254</u>
	<u>190,432</u>	<u>124,508</u>
Matchable Revenues-Fiscal Years Ended June 30, 1999 and 1998	<u>175,934</u>	<u>104,629</u>
<u>Determination of Over (Under) Payment of State Funds:</u>		
State Funds Allocated (Note 2)	190,432	124,508
Deduct lesser of:		
(a) Applicable percentage of Matchable Revenues	190,432	124,508
(b) State Funds Allocated	190,432	124,508
Maximum Support - Lessor of A or B (Note 3)	<u>190,432</u>	<u>124,508</u>
Over (Under) Payment of State Matching Funds	<u>-</u>	<u>-</u>

See accompanying notes to financial information.

:SP-12d

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Healthcare Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Newport County Community Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 108.24% of the matchable revenue for the fiscal year ended June 30, 1999 and 119% of the matchable revenue for the fiscal year ended June 30, 1998.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs - Exhibits A and B

These amounts represent funding from sources other than MHRH Division of Behavioral Health Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	<u>Fiscal Year Ended June 30</u>	
	<u>2001</u>	<u>2000</u>
<u>State of Rhode Island</u>		
Adult General Outpatient Program	\$ 112,940	85,700
Community Support, Residential and Acute Alternatives	<u>317,105</u>	<u>327,426</u>
 Total State Funds Allocated	 430,045	 413,126
 <u>Matchable Revenues</u>		
Municipalities	267,025	180,540
Contributions-Net	<u>6,166</u>	<u>3,448</u>
 Total Matchable Revenues (For Fiscal Years Ended June 30, 2003 and 2002)	 273,191	 183,988
 <u>Nonmatchable Revenues</u>		
Title XIX Program	4,320,698	4,083,368
Other Programs	968,727	808,792
Client Services	56,860	80,604
Group Home	76,637	93,578
Fund Raising	401	10,849
Miscellaneous	<u>74,940</u>	<u>38,180</u>
 Total NonMatchable Revenues	 <u>5,498,263</u>	 <u>5,115,371</u>
 Total Revenues (Exhibit A & B, Respectively)	 \$ <u><u>6,201,499</u></u>	 <u><u>5,712,485</u></u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NEWPORT COUNTY COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 2001 and 2000 are summarized below:

Revenue Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>2001</u>	<u>2000</u>
Community Support, Residential, and Acute Alternatives	\$ (233,428)	\$ 14,088
Adult General Outpatient	(142,906)	(134,194)
Other Programs	<u>273,209</u>	<u>116,848</u>
Total Revenues	\$ <u>(103,125)</u>	\$ <u>(3,258)</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program had excess revenue in the amount of \$14,088 for the fiscal year ended June 30, 2000 (See Exhibit B). The Department of MHRH determines the use and disposition of excess revenues.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period audited. (See Exhibit D).

Matchable Revenues were examined for fiscal years ended June 30, 2001 and 2000 and are summarized as follows:

	<u>2001</u>	<u>2000</u>
Municipal Revenues	\$ 267,025	\$ 180,540
Contributions (net)	<u>6,166</u>	<u>3,448</u>
Total Matchable Revenues	\$ <u>273,191</u>	\$ <u>183,988</u>

Funds received in the fiscal years ended June 30, 2001 and 2000 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2003 and 2002, respectively.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period audited the following Division of Behavioral Healthcare Service's contracts had revenue deficiencies:

2001 – Adult General Outpatient	\$ (142,906)
2001 – Community Support, Residential, and Acute Alternatives	\$ (233,428)
2000 – Adult General Outpatient	\$ (134,194)